

CITY OF MAPLETON, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

CITY OF MAPLETON, IOWA

TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditors' Report		2-3
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Activities and Net Position – Cash Basis	A	4-5
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	6-7
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	8
Notes to Financial Statements		9-14
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		15-16
Notes to Other Information – Budgetary Reporting		17
Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	18-19
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		20-21
Schedule of Findings		22-24

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CITY OF MAPLETON

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Krohn	Mayor	January, 2016
Phil McGarr	Council Member	January, 2018
Tom McNamara	Council Member	January, 2016
Tony Davis	Council Member	January, 2016
Dian Bleil	Council Member	January, 2018
Andy Halter	Council Member	January, 2016
Karla Uhl	City Clerk	Annual
Michael Schmiedt	Attorney	Annual

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Mapleton, Iowa
Mapleton, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Mapleton, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, and each major fund of the City of Mapleton, Iowa, as of June 30, 2014, and the respective changes in financial position – cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the cash basis financial statements that collectively comprise the City of Mapleton's basic financial statements. The other information which includes the budgetary comparison information on pages 15 through 17 and the supplementary information included in Schedules 1 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other and supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, the budgetary comparison information on pages 15-17 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of the City of Mapleton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

William J. Company P.C.

Certified Public Accountants

December 9, 2014
Onawa, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF MAPLETON, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants Contributions and Other Program Revenues
Primary Government:			
Governmental Activities:			
Public Safety	\$ 245,738	\$ 945	\$ 14,729
Public Works	361,737	188,090	211,844
Culture and Recreation	162,148	23,133	27,084
Community and Economic Development	30,917	-	15,220
General Government	122,220	5,044	930
Total Governmental Activities	<u>922,760</u>	<u>217,212</u>	<u>269,807</u>
Business-Type Activities:			
Electric System	2,043,531	1,399,913	-
Water System	285,662	212,258	-
Sewer System	154,833	139,624	-
Gas System	560,011	561,559	-
Total Business-Type Activities	<u>3,044,037</u>	<u>2,313,354</u>	<u>-</u>
Total Primary Government	<u>\$ 3,966,797</u>	<u>\$ 2,530,566</u>	<u>\$ 269,807</u>

General Receipts:

Property Taxes
Tax Increment Financing
Local Option Sales Tax
Interest
Capital Loan Note Proceeds
Miscellaneous
Total General Revenues and Transfers
Change in Cash Basis Net Position
Cash Basis Net Position at Beginning of Year
Cash Basis Net Position at End of Year

Cash Basis Net Position

Restricted:

Debt Service
Streets
Local Option Sales Tax
Other Purposes

Unrestricted

Total Cash Basis Net Position

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (230,064)		\$ (230,064)
38,197		38,197
(111,931)		(111,931)
(15,697)		(15,697)
(116,246)		(116,246)
<u>(435,741)</u>		<u>(435,741)</u>
	\$ (643,618)	(643,618)
	(73,404)	(73,404)
	(15,209)	(15,209)
	1,548	1,548
	<u>(730,683)</u>	<u>(730,683)</u>
<u>(435,741)</u>	<u>(730,683)</u>	<u>(1,166,424)</u>
273,740	-	273,740
139,764	-	139,764
88,084	-	88,084
7,125	2,167	9,292
-	730,000	730,000
21,506	210,037	231,543
<u>530,219</u>	<u>942,204</u>	<u>1,472,423</u>
94,478	211,521	305,999
151,951	1,267,317	1,419,268
<u>246,429</u>	<u>1,478,838</u>	<u>1,725,267</u>
36,905	119,203	156,108
225,366	-	225,366
551,205	-	551,205
61,897	-	61,897
(628,944)	1,359,635	730,691
<u>\$ 246,429</u>	<u>\$ 1,478,838</u>	<u>\$ 1,725,267</u>

CITY OF MAPLETON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		Special Revenue	
	General	Tax Increment Financing	Road Use Tax
Receipts:			
Property Tax	\$ 273,740	\$ -	\$ -
Tax Increment Financing	-	139,764	-
Licenses and Permits	3,742	-	-
Use of Money and Property	61,623	-	-
Intergovernmental Revenue	124,872	-	122,221
Charges for Services	158,870	-	-
Fines and Forfeits	2,913	-	-
Refunds/Reimbursements	1,302	-	-
Miscellaneous	40,107	-	-
Total Receipts	<u>667,169</u>	<u>139,764</u>	<u>122,221</u>
Disbursements:			
Public Safety	245,738	-	-
Public Works	221,218	-	140,519
Culture and Recreation	162,148	-	-
Community and Economic Development	20,917	10,000	-
General Government	122,220	-	-
Total Disbursements	<u>772,241</u>	<u>10,000</u>	<u>140,519</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(105,072)</u>	<u>129,764</u>	<u>(18,298)</u>
Other Financing Sources (Uses):			
Transfers In	112,194	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>112,194</u>	<u>-</u>	<u>-</u>
Change in Cash Balances	7,122	129,764	(18,298)
Cash Balances (Deficits) at Beginning of Year	(636,066)	(67,867)	243,664
Cash Balances (Deficits) at End of Year	<u>\$ (628,944)</u>	<u>\$ 61,897</u>	<u>\$ 225,366</u>
Cash Basis Net Position:			
Restricted For:			
Debt Service	\$ -	\$ -	\$ -
Streets	-	-	225,366
Local Option Sales Tax	-	-	-
Other Purposes	-	61,897	-
Unassigned	(628,944)	-	-
Total Cash Basis Net Position	<u>\$ (628,944)</u>	<u>\$ 61,897</u>	<u>\$ 225,366</u>

Exhibit B

<u>Special Revenue</u>		
<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 273,740
-	-	139,764
-	-	3,742
-	-	61,623
88,084	-	335,177
-	-	158,870
-	-	2,913
-	-	1,302
-	-	40,107
<u>88,084</u>	<u>-</u>	<u>1,017,238</u>
-	-	245,738
-	-	361,737
-	-	162,148
-	-	30,917
-	-	122,220
<u>-</u>	<u>-</u>	<u>922,760</u>
<u>88,084</u>	<u>-</u>	<u>94,478</u>
-	-	112,194
<u>(112,194)</u>	<u>-</u>	<u>(112,194)</u>
<u>(112,194)</u>	<u>-</u>	<u>-</u>
(24,110)	-	94,478
575,315	36,905	151,951
<u>\$ 551,205</u>	<u>\$ 36,905</u>	<u>\$ 246,429</u>
\$ -	\$ 36,905	\$ 36,905
-	-	225,366
551,205	-	551,205
-	-	61,897
-	-	(628,944)
<u>\$ 551,205</u>	<u>\$ 36,905</u>	<u>\$ 246,429</u>

CITY OF MAPLETON, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds				
	Electric System	Water System	Sewer System	Gas System	Total
Operating Receipts:					
Charges for Services	\$1,399,713	\$ 212,258	\$ 139,624	\$ 561,559	\$ 2,313,154
Total Operating Receipts	<u>1,399,713</u>	<u>212,258</u>	<u>139,624</u>	<u>561,559</u>	<u>2,313,154</u>
Operating Disbursements:					
Business-Type Activities	1,980,870	285,662	134,143	501,801	2,902,476
Total Operating Disbursements	<u>1,980,870</u>	<u>285,662</u>	<u>134,143</u>	<u>501,801</u>	<u>2,902,476</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(581,157)</u>	<u>(73,404)</u>	<u>5,481</u>	<u>59,758</u>	<u>(589,322)</u>
Non-Operating Receipts (Disbursements):					
Interest Income	1,736	216	215	-	2,167
Sale of Merchandise	200	-	-	-	200
Insurance Proceeds	-	-	-	-	-
WIMECA Member Charge Refund	43,838	-	-	-	43,838
Distribution - Mapleton Communications	75,000	-	-	-	75,000
Other Non-Operating Revenues	86,779	1,563	-	2,857	91,199
Revenue Capital Loan Note Proceeds	730,000	-	-	-	730,000
Principal Payments	(45,000)	-	(14,000)	(45,000)	(104,000)
Interest Expense	(17,661)	-	(6,690)	(13,210)	(37,561)
Total Non-Operating Receipts (Disbursements):	<u>874,892</u>	<u>1,779</u>	<u>(20,475)</u>	<u>(55,353)</u>	<u>800,843</u>
Change in Cash Balances	293,735	(71,625)	(14,994)	4,405	211,521
Cash Balances at Beginning of Year	<u>656,461</u>	<u>178,500</u>	<u>274,750</u>	<u>157,606</u>	<u>1,267,317</u>
Cash Balances at End of Year	<u>\$ 950,196</u>	<u>\$ 106,875</u>	<u>\$ 259,756</u>	<u>\$ 162,011</u>	<u>\$ 1,478,838</u>
Cash Basis Net Position:					
Restricted for Debt Service	\$ 61,780	\$ -	\$ -	\$ 57,423	\$ 119,203
Unrestricted	888,416	106,875	259,756	104,588	1,359,635
Total Cash Basis Net Position	<u>\$ 950,196</u>	<u>\$ 106,875</u>	<u>\$ 259,756</u>	<u>\$ 162,011</u>	<u>\$ 1,478,838</u>

See Accompanying Notes to Financial Statements

CITY OF MAPLETON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mapleton is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, electric, gas and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mapleton has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Mapleton has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monona County Assessor's Conference Board, Monona County Emergency Management Commission, Monona County Landfill Commission and Monona County Joint E911 Service Board.

B. Basis of Presentation

Government-Wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition on the preceding category. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF MAPLETON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Cont.)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Mapleton maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF MAPLETON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Cont.)

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgeting and Budgetary Accounting:

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the Public Safety, Public Works, General Government, and Business-Type Activities functions.

Note 2 – CASH AND POOLED INVESTMENTS

The City's deposits at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2014; however the City's time deposits were as follows:

	<u>Maturities</u>	
Certificates of Deposit	07/11/14 – 12/03/18	\$ 877,287

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF MAPLETON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 – NOTES PAYABLE

The following is a summary of note transactions of the City for the year ended June 30, 2014:

	Business-Type Activities
Primary Government	Notes Paid by Enterprise Funds
Notes Payable July 1, 2013	\$ 678,000
Add: Revenue Notes Issued	730,000
Less: Payments	(104,000)
Notes Payable June 30, 2014	<u>1,304,000</u>
Due Within One Year	<u>\$ 100,000</u>

Annual debt service requirements to maturity for the outstanding debt capital notes are as follows:

Year	<u>Sewer</u>		<u>Gas</u>		<u>Electric</u>		<u>Total</u>	
Ending	<u>Revenue Notes</u>		<u>Revenue Notes</u>		<u>Revenue Notes</u>			
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	15,000	6,270	45,000	12,423	40,000	21,780	\$ 100,000	\$ 40,473
2016	15,000	5,820	50,000	11,635	45,000	21,180	110,000	38,635
2017	16,000	5,370	50,000	10,360	45,000	20,580	111,000	36,310
2018	16,000	4,890	50,000	9,085	45,000	19,568	111,000	33,543
2019	16,000	4,410	50,000	7,810	45,000	18,555	111,000	30,775
2020-2024	91,000	14,340	165,000	12,677	240,000	72,317	496,000	99,334
2025-2028	40,000	1,800	-	-	225,000	24,240	265,000	26,040
Total	\$ 209,000	\$ 42,900	\$ 410,000	\$ 63,990	\$ 685,000	\$ 198,220	\$1,304,000	\$ 305,110

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$312,000 of sewer revenue notes issued in November 11, 2006. Proceeds from the notes provided financing for the cost of the sewer project. The notes are payable solely from sewer customer net receipts and are payable through 2026. The sewer revenue notes bear an interest rate of 3.00%. The total principal and interest remaining to be paid on the notes is \$251,900. For the current year, principal and interest paid were \$14,000 and \$6,690, respectively.

The City has pledged future gas customer receipts, net of specified operating disbursements, to repay \$500,000 gas revenue notes issued in February 29, 2012. Proceeds from the notes provided financing to purchase the gas system. The notes are payable solely from gas customer net receipts and are payable through 2022. The notes bear an interest rate of 1.75%. The total principal and interest remaining to be paid on the notes is \$473,990. For the current year, principal and interest paid were \$45,000 and \$13,210, respectively.

The resolution providing for the issuance of the gas revenue capital loan note includes the following provisions:

- (a) The note will only be redeemed from future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the gas revenue capital loan note sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

CITY OF MAPLETON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 – NOTES PAYABLE – (Cont.)

- (c) The Reserve Fund shall be used to maintain the Reserve Fund Requirement per the resolution. In each month there shall be deposited in the Reserve Fund an amount equal to 25% of the amount required by this Resolution to be deposited in such month in the Sinking Fund.
- (d) All funds remaining in the gas account after the maintenance and operating expenses and required transfers are to be used to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes, any of them, or for any lawful purpose.

The above funds were not established as required by the gas revenue capital note agreement and therefore the City is in violation of the agreement.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$730,000 of electric revenue capital loan notes issued in August 15, 2013. Proceeds from the notes provided financing for the cost of the electric project. The notes are payable solely from electric customer net receipts and are payable through 2028. The electric revenue capital loan notes bear an average interest rate of 2.93%. The total principal and interest remaining to be paid on the notes is \$883,220. For the current year, principal and interest paid were \$45,000 and \$17,661, respectively.

The following are the Reserve requirements of the Electric Revenue Capital Loan Notes:

(a) Electric Revenue Fund (the "Revenue Fund"):

All income and revenues from the operation of the electric utility shall be deposited into the Revenue Fund and disbursed only as follows:

(b) Electric Revenue Operation and Maintenance Fund (the "Operation and Maintenance Fund"):

There shall be deposited monthly to this fund from the Revenue Fund, an amount equal to meet the current expenses of the electric utility plus an amount equal to the 1/12th of the expenses payable on an annual basis. From this account all normal, reasonable and current costs of operating and maintaining the electric utility shall be paid.

(c) Electric Revenue Note and Interest Sinking Fund (the "Sinking Fund"):

The Sinking Fund will remain for the life of this Note issue and will be used to make principal and interest payments on the Notes and any parity obligations. There shall be deposited to the Sinking Fund from the Revenue Fund an equal monthly amount that would be sufficient to pay the interest due on the next interest payment date plus an equal monthly amount that would be sufficient to pay the principal due on the next principal payment date. The first principal and interest payment date is June 1, 2014 with interest paid semiannually and principal annually after that.

(d) Electric Revenue Debt Service Reserve Fund (the "Reserve Fund"):

The Reserve Fund shall be funded with Note proceeds in the amount of \$65,580, which is the maximum annual amount of the principal and interest coming due on the Notes. This fund shall be used for the purpose of paying principal and interest on the Notes and any parity obligations in the event funds held in the Sinking Fund are insufficient for such payment. If the balance in the Reserve Fund should ever fall below \$65,580, funds from the Revenue Fund shall be deposited monthly in an amount equal to 25% of the deficiency until the balance has been restored to \$65,580.

(e) Surplus Revenues:

All money remaining in the Revenue Fund at the close of each month may be deposited in any of the above funds to pay for extraordinary repairs or replacements to the electric utility or for any other lawful purposes.

The above funds were not established as required by the electric revenue capital loan note agreement and therefore the City is in violation of the agreement.

CITY OF MAPLETON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4 – FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) COMMUNITY DISASTER LOAN

On January 27, 2012, the City entered into a promissory note agreement with FEMA for a community disaster loan they received as a result of the April 9, 2011 tornado. The loan proceeds of \$295,571 were for operating and replacement for loss of revenue. Principal of \$295,571 and accrued interest of \$11,085 may be forgiven or repaid, which will be determined on January 26, 2017. The loan bears an interest rate of 0.75% and any portion of payments may be made at any time. As of June 30, 2014, no amounts have been repaid to the agency.

Note 5 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$47,139, \$43,910 and \$48,086, respectively, equal to the required contributions for each year.

Note 6 – RISK MANAGEMENT

The City of Mapleton is exposed to various risks of loss related to torts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Mapleton assumes liability for any deductibles and claims in excess of coverage limitations. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Local Option Sales Tax	\$ 112,194

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 8 – DEFICIT BALANCES

The deficit in the general fund of \$628,944 will be eliminated by the collection of property taxes.

OTHER INFORMATION

**CITY OF MAPLETON, IOWA
OTHER INFORMATION
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 273,740	\$ -	\$ 273,740
Tax Increment Financing	139,764	-	139,764
Licenses and Permits	3,742	-	3,742
Use of Money and Property	61,623	2,167	63,790
Intergovernmental Revenue	335,177	-	335,177
Charges for Services	158,870	2,313,154	2,472,024
Fines and Forfeits	2,913	-	2,913
Refunds/Reimbursements	1,302	-	1,302
Miscellaneous	40,107	210,237	250,344
Total Receipts	<u>1,017,238</u>	<u>2,525,558</u>	<u>3,542,796</u>
Disbursements:			
Public Safety	245,738	-	245,738
Public Works	361,737	-	361,737
Culture and Recreation	162,148	-	162,148
Community and Economic Development	30,917	-	30,917
General Government	122,220	-	122,220
Business-Type Activities	-	3,044,037	3,044,037
Total Disbursements	<u>922,760</u>	<u>3,044,037</u>	<u>3,966,797</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>94,478</u>	<u>(518,479)</u>	<u>(424,001)</u>
Other Financing Sources (Uses):			
Proceeds from Capital Loan Notes	-	730,000	730,000
Interfund Transfers In	112,194	-	112,194
Interfund Transfers (Out)	(112,194)	-	(112,194)
Total Other Financing Sources (Uses)	<u>-</u>	<u>730,000</u>	<u>730,000</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing (Uses)	<u>94,478</u>	<u>211,521</u>	<u>305,999</u>
Cash Balances at Beginning of Year	<u>151,951</u>	<u>1,267,317</u>	<u>1,419,268</u>
Cash Balances at End of Year	<u>\$ 246,429</u>	<u>\$ 1,478,838</u>	<u>\$ 1,725,267</u>

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final To
Original	Final	Net
		Variance
\$ 270,855	\$ 270,855	\$ 2,885
25,000	25,000	114,764
7,700	7,700	(3,958)
132,119	132,119	(68,329)
131,100	131,100	204,077
2,906,950	2,906,950	(434,926)
-	-	2,913
-	-	1,302
69,400	69,400	180,944
3,543,124	3,543,124	(328)
177,345	177,345	(68,393)
314,456	314,456	(47,281)
200,869	200,869	38,721
38,000	38,000	7,083
95,816	95,816	(26,404)
2,959,305	2,959,305	(84,732)
3,785,791	3,785,791	(181,006)
(242,667)	(242,667)	(181,334)
-	-	730,000
109,103	109,103	(3,091)
(109,103)	(109,103)	3,091
-	-	730,000
(242,667)	(242,667)	548,666
655,014	655,014	764,254
\$ 412,347	\$ 412,347	\$ 1,312,920

**CITY OF MAPLETON, IOWA
NOTES TO OTHER INFORMATION –
BUDGETARY REPORTING
JUNE 30, 2014**

This budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the adopted budget document presents function disbursements by fund, the legal level of control is at the aggregated functional level, not by fund.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the Public Safety, Public Works, General Government, and Business-Type Activities functions.

SUPPLEMENTARY INFORMATION

**CITY OF MAPLETON, IOWA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2014**

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year
Northland Securities Electric Revenue Capital Loan Note	August 15, 2013	1.20%	\$ 730,000	\$ -	\$ 730,000
Federal Emergency Management Agency Community Disaster Loan	January 27, 2012	0.75%	295,571	295,571	-
Taxable Gas Revenue Capital Loan Note	February 29, 2012	1.75%	500,000	455,000	-
Iowa Finance Authority Sewer Revenue Note	November 21, 2006	3.00%	312,000	223,000	-
Total			<u>\$ 1,107,571</u>	<u>\$ 973,571</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report

<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 45,000	\$ 685,000	\$ 17,661	\$ -
-	295,571	-	-
45,000	410,000	13,210	-
14,000	209,000	6,690	-
<u>\$ 59,000</u>	<u>\$ 914,571</u>	<u>\$ 19,900</u>	<u>\$ -</u>

CITY OF MAPLETON

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

CITY OF MAPLETON

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Mapleton, Iowa
Mapleton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the City of Mapleton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Mapleton's basic financial statements and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mapleton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mapleton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mapleton's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items II-A-14 II-B-14 and II-C-14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mapleton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Mapleton, Iowa's Response to Findings

City of Mapleton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mapleton, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Willcox & Company PC.

Certified Public Accountants

Onawa, Iowa
December 9, 2014

**CITY OF MAPLETON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Part I: Summary of the Independent Auditors' Results

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

II-A-14 Financial Accounting - Segregation of Duties

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that employees who handle cash receipts are also involved with the preparation of bank reconciliations and the posting of payments.

Recommendations – We realize with a limited number of personnel, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City feels that additional personnel would not be cost effective. However, management will review procedures and investigate available alternatives.

Conclusion – Response accepted.

II-B-14 Financial Reporting

Observation – During the audit, we identified transactions that needed to be reclassified in the City's financial statements. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendations – The City should implement procedures to ensure that all postings are properly recorded in the City's financial statements.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

**CITY OF MAPLETON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Part II: Findings Related to the Financial Statements – (Cont.)

II-C-14 Countersignature of Checks

Observation – During the audit, we identified a check with only one authorized signature. The City requires nonrecurring checks over \$200 to be signed by two authorized individuals.

Recommendations – Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response – We will follow procedures for two signatures on all checks.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-14 Certified Budget – Disbursements during the fiscal year ended June 30, 2014 exceeded the amount budgeted in the Public Safety, Public Works, General Government, and Business-Type Activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III -B-14 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

III -C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III -D-14 Business Transactions – Business transactions between the City and city officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tom McNamara, Council Member Owner of Mac's Chevrolet	Repairs and Services to city owned vehicles	\$ 6,353

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

III -E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**CITY OF MAPLETON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Part III: Other Findings Related to Required Statutory Reporting – (Cont.)

III -F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III -G-14 Revenue Notes – The City was not in compliance with the requirements of its gas and electric revenue notes. The City did not establish the following reserve requirements: the Revenue Fund, the Operation and Maintenance Fund, the Sinking Fund, or the Reserve Fund.

Recommendation – The City should establish the reserve requirements according to the capital note agreement.

Response – The City will establish the reserve requirements according to the capital note agreement.

Conclusion – Response accepted.

III -H-14 Deposits and Investments – No instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policies were noted.

III -I-14 Urban Renewal Annual Report – The Urban Renewal Annual Report was not approved or certified to the Iowa Department of Management on or before December 1. The report was filed in December 12, 2014.

Recommendation – The City should file the Urban Renewal Annual Report timely.

Response – In the future we will file the Urban Renewal Annual Report timely.

Conclusion – Response accepted.

III -J-14 Annual Financial Report – The Annual Financial Report was not completed and filed by December 1. The report was filed in January 2014.

Recommendation – The City should file the Annual Financial Report timely.

Response – In the future we will file the Annual Financial Report timely.

Conclusion – Response accepted.

CITY OF MAPLETON